

to enable him to compete in all or most of the markets of the older company at once, it will be impossible to dispose of him so easily. In such a case the result will probably be the amalgamation of the two concerns, or at least a working agreement between them not to sell at less than a certain fixed price. This would in practice have the effect of perpetuating the monopoly.

Monopoly Price Not Necessarily Higher Than Competitive.

Our analysis probably fairly covers the situation with regard to such a commodity as hats under competitive and under monopolistic conditions. But the student must remember one thing—there is no absolute necessity that a monopoly price for a certain article will be above the competitive price for the same article in the same market. In the case of competition, as we have seen, the price must be sufficient to equal the cost of production of the least efficient producer whose product is needed by the community in question. The monopoly, however, is, because of the great advantage of large scale production, the most efficient producer rather than the least, and it may pay the monopoly to fix its price at a figure which makes its profit per article less than the producer's surplus of the most efficient over the least efficient producer. By doing so it may make the largest possible aggregate profit, because of the enormous demand induced by the low price of the article which it controls. Some people claim that Standard Oil is in this position—that its prices are less than those which would be necessary if the old wasteful competitive system prevailed. This is very much a matter of opinion. What is certain is that the price of oil is lower than it was under the old competitive system—lower because of the great improvement in the production and transportation of oil. But we cannot be sure that if competition were restored to-day under these improved conditions, the price of oil would not be lower than it is. It is probably rarely the case that monopoly price is less than competitive.